

**RED RIVER PARISH CLERK OF COURT
COUSHATTA, LOUISIANA**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2012**

Red River Parish Clerk of Court
Coushatta, Louisiana

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Red River Parish Clerk of Court

**P. O. Box 485
Coushatta, LA 71019**

MANAGEMENT'S DISCUSSION AND ANALYSIS for the Year Ended June 30, 2012

The Management's Discussion and Analysis of the Red River Parish Clerk of Court's financial performance presents a narrative overview and analysis of the Clerk of Court's financial activities for the year ended June 30, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the additional information contained in the Red River Parish Clerk of Court's financial statements, which begin on page 11.

Financial Highlights

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Clerk of Court as a whole and present a longer-term view of the Clerk of Court's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

- 1) The Red River Parish Clerk of Court had cash and investments of \$1,641,655 at June 30, 2012, which represents a decrease of \$113,387 from the prior year end.
- 2) The Red River Parish Clerk of Court had revenue receivables of \$41,865 at June 30, 2012, which represents a decrease of \$15,186 from the prior year end.
- 3) The Red River Parish Clerk of Court had accounts payable and accruals of \$11,268 at June 30, 2012, which represents a decrease of \$6,125 from prior year end.
- 4) The Red River Parish Clerk of Court had total revenues of \$619,553 for the year ended June 30, 2012, which represents a decrease of \$300,554 from the prior year.
- 5) The Red River Parish Clerk of Court had personnel services expense of \$518,308 for the year ended June 30, 2012, which represents an increase of \$31,730 from the prior year.
- 6) The Red River Parish Clerk of Court had operating services expense of \$126,151 for the year ended June 30, 2012, which represents a decrease of \$87,400 from the prior year.
- 7) The Red River Parish Clerk of Court had supplies expense of \$62,983 for the year ended June 30, 2012, which represents an increase of \$8,740 from the prior year.
- 8) The Red River Parish Clerk of Court had capital asset purchases of \$17,086 for the year ended June 30, 2012, which represents an increase of \$2,174 from the prior year.

Overview of the Financial Statements

The following illustrates the minimum requirements for the Red River Parish Clerk of Court as established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*.

Management Discussion and Analysis Basic Financial Statements Required Supplementary Information (Other than MD&A)

These financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Assets (on page 11) and the Statement of Activities (on page 12) provide information about the activities of the Red River Parish Clerk of Court as a whole and present a longer-term view of the Clerk's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets and the Statement of Activities report the Clerk's net assets and changes in them. You can think of the Clerk's net assets, the difference between assets and liabilities, as one way to measure the Clerk's financial health, or financial position. Over time, increases or decreases in the Clerk's net assets are one indicator of whether its financial health is improving or deteriorating.

Fund financial statements start on page 14. All of the Clerk's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the Clerk's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Clerk's activities as well as what remains for future spending.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Assets

	<u>2012</u>	<u>2011</u>
ASSETS:		
Current and Other Assets	\$1,689,719	\$1,812,325
Capital Assets, Net	<u>72,267</u>	<u>73,482</u>
Total Assets	<u>\$1,761,986</u>	<u>\$1,885,807</u>
LIABILITIES:		
Other Liabilities	\$ <u>120,188</u>	\$ <u>89,285</u>
Total Liabilities	\$ <u>120,188</u>	\$ <u>89,285</u>
NET ASSETS:		
Invested in Capital Assets, Net of Related Debt	\$ 72,267	\$ 73,482
Unrestricted	<u>1,569,531</u>	<u>1,723,040</u>
Total Net Assets	<u>\$1,641,798</u>	<u>\$1,796,522</u>

Net assets of the Red River Parish Clerk of Court decreased by \$154,724 or 8.6% from the previous fiscal year. The decrease is the result of expenses exceeding operating and non-operating revenues during the fiscal year ended June 30, 2012.

Summary of Statement of Activities

	<u>2012</u>	<u>2011</u>
REVENUES:		
Operating Grants & Contributions	\$ 20,700	\$ 21,000
Charges for Services	568,030	871,298
General Revenues	<u>30,823</u>	<u>27,809</u>
Total Revenues	\$ 619,553	\$920,107
EXPENDITURES:		
Expenses	<u>774,277</u>	<u>822,800</u>
Change in Net Assets	<u>\$(154,724)</u>	<u>\$ 97,307</u>

The Red River Parish Clerk of Court's total revenues decreased by \$300,554 or 32.7% from the previous year. The total costs of all programs and services decreased by \$48,523 or 5.9%.

Capital Assets

At June 30, 2012, the Red River Parish Clerk of Court had \$72,267, net of depreciation, invested in a broad range of capital assets (see table below). This amount represents a net decrease (including additions and deductions) of \$1,215 or 1.7% from the previous year.

Capital Assets at Year End (Net of Depreciation)		
	<u>2012</u>	<u>2011</u>
Fixtures and Equipment	<u>\$72,267</u>	<u>\$73,482</u>

This year's major additions included fixtures and equipment totaling \$17,086.

Variations between Original and Final Budgets

Actual revenues were \$947 less than budgeted amounts due to fees being less than expected.

Actual expenditures were \$3,967 less than budgeted amounts due to expenditures being less than expected.

Economic Factors and Next Year's Budget

The Red River Parish Clerk of Court's elected official considered the following factors and indicators when setting next year's budget, rates and fees. These factors and indicators include:

1. Fees
2. Interest income
3. Miscellaneous revenues
4. Personnel costs
5. Other costs

The Red River Parish Clerk of Court does not expect any significant changes in next year's results as compared to the current year.

Contacting the Red River Parish Clerk of Court

This financial report is designed to provide our citizens and creditors with a general overview of the Red River Parish Clerk of Court's finances and to show the Clerk of Court's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to the Red River Parish Clerk of Court at P. O. Box 485, Coushatta, LA 71019.

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation
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INDEPENDENT AUDITOR'S REPORT

Honorable Stuart Shaw
Red River Parish Clerk of Court
P. O. Box 485
Coushatta, Louisiana 71019

We have audited the accompanying financial statements of the governmental activities, major fund and fiduciary funds of the Red River Parish Clerk of Court, a component unit of the Red River Parish Police Jury, as of and for the year ended June 30, 2012, which collectively comprise the Red River Parish Clerk of Court's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Red River Parish Clerk of Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and fiduciary funds of the Red River Parish Clerk of Court as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of the Red River Parish Clerk of Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Red River Parish Clerk of Court's basic financial statements. The budgetary comparison listed as required supplemental information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The budgetary comparison statement is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

December 11, 2012
Natchitoches, Louisiana

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE
FINANCIAL STATEMENTS

Red River Parish Clerk of Court
Statement of Net Assets
June 30, 2012

	Governmental <u>Activities</u>
ASSETS:	
Current Assets-	
Cash & Cash Equivalents	\$ 64,591
Investments	1,577,064
Revenue Receivable	41,865
Prepaid Expense	<u>6,199</u>
Total Current Assets	\$1,689,719
Noncurrent Assets-	
Capital Assets, Net	<u>72,267</u>
Total Assets	<u>\$1,761,986</u>
LIABILITIES:	
Current Liabilities-	
Accounts Payable	\$ 5,112
Accrued Expenses	<u>6,156</u>
Total Current Liabilities	\$ 11,268
Non-Current Liabilities-	
Net Pension Obligation	<u>108,920</u>
Total Liabilities	<u>\$ 120,188</u>
NET ASSETS:	
Invested in Capital Assets	\$ 72,267
Unrestricted	<u>1,569,531</u>
Total Net Assets	<u>\$1,641,798</u>

The accompanying notes are an integral part of this statement.

Red River Parish Clerk of Court
Statement of Activities
June 30, 2012

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u> <u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
Judicial	<u>\$774,277</u>	<u>\$568,030</u>	<u>\$20,700</u>	<u>\$0</u>	<u>\$ (185,547)</u>
General Revenues:					
					\$ 19,347
					10,740
					<u>736</u>
					<u>\$ 30,823</u>
					<u>\$ (154,724)</u>
					<u>1,796,522</u>
					<u>\$1,641,798</u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

Red River Parish Clerk of Court
Balance Sheet-Governmental Fund
June 30, 2012

ASSETS:

Cash & Cash Equivalents	\$ 64,591
Investments	1,577,064
Revenue Receivable	41,865
Prepaid Expense	<u>6,199</u>
Total Assets	<u>\$1,689,719</u>

LIABILITIES:

Accounts Payable	\$ 5,112
Accrued Expenses	<u>6,156</u>
Total Liabilities	<u>\$ 11,268</u>

FUND BALANCE:

Nonspendable- Prepaid Expense	\$ 6,199
Unassigned	<u>1,672,252</u>
Total Fund Balance	<u>\$1,678,451</u>
Total Liabilities & Fund Balance	<u>\$1,689,719</u>

The accompanying notes are an integral part of this statement.

Red River Parish Clerk of Court
Reconciliation of the Governmental Fund
Balance Sheet to the Statement of Net Assets
June 30, 2012

Total Fund Balance for the Governmental Fund at June 30, 2012	\$1,678,451
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Total Net Assets reported for Governmental Activities
in the Statement of Net Assets is different because:

Capital Assets used in Governmental Activities are not
financial resources and, therefore, are not reported
in the fund. Those assets consist of:

Furniture & Fixtures	\$ 187,673	
Less, Accumulated Depreciation	<u>(115,406)</u>	
Total Net Capital Assets		72,267

Long-term Liabilities are not due and payable in the
current period and therefore are not reported in
the Governmental Fund Balance Sheet:

Net Pension Obligation	<u>(108,920)</u>
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Total Net Assets of Governmental Activities at June 30, 2012	<u>\$1,641,798</u>
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The accompanying notes are an integral part of this statement.

Red River Parish Clerk of Court
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
June 30, 2012

REVENUES:

Licenses & Permits-	
Marriage Licenses	\$ 2,393
Charges for Services-	
Court Costs, Fees & Charges	206,319
Recording Fees	145,548
Copy Fees	213,770
Intergovernmental-	
Supplemental Compensation Fund	20,700
Miscellaneous-	
Other	10,740
Interest	19,347
Gain on Investments	<u>736</u>
Total Revenues	<u>\$ 619,553</u>

EXPENDITURES:

Current-	
Judicial-	
Personnel Services	\$ 518,308
Operating Services	126,151
Operating Supplies	62,983
Other Charges	11,505
Capital Expenditures	<u>17,086</u>
Total Expenditures	<u>\$ 736,033</u>

(Deficiency) of Revenues over Expenditures	\$ (116,480)
Fund Balance-Beginning of Year	<u>1,794,931</u>
Fund Balance-End of Year	<u>\$1,678,451</u>

The accompanying notes are an integral part of this statement.

Red River Parish Clerk of Court
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balance of the Governmental Fund
to the Statement of Activities
for the Year Ended June 30, 2012

Total Net Change in Fund Balance at June 30, 2012, per Statement of Revenues, Expenditures and Changes in Fund Balance			\$(116,480)
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The Change in Net Assets
reported for Governmental Activities
in the Statement of Activities is different because:

Governmental Funds report capital outlays as expenditures.
However, in the Statement of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense:

Capital Outlays	\$ 17,086	
Depreciation Expense	<u>(18,301)</u>	(1,215)

Other Post-employment Benefits are reported in the
Government-wide Statement of Activities, but are
not reported in the Fund Financial Statements.

Current year Net Pension Obligation is	<u>(37,029)</u>
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Total Changes in Net Assets at June 30, 2012, per Statement of Activities			<u>\$(154,724)</u>
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The accompanying notes are an integral part of this statement.

Red River Parish Clerk of Court
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Advance Deposit <u>Fund</u>	Registry of Court <u>Fund</u>	<u>Total</u>
ASSETS:			
Cash & Cash Equivalents	\$253,055	\$ 86,930	\$ 339,985
Investments	<u>359,922</u>	<u>2,577,809</u>	<u>2,937,731</u>
Total Assets	<u>\$612,977</u>	<u>\$2,664,739</u>	<u>\$3,277,716</u>
LIABILITIES:			
Due to Others	<u>\$612,977</u>	<u>\$2,664,739</u>	<u>\$3,277,716</u>

The accompanying notes are an integral part of this statement.

Red River Parish Clerk of Court
Statement of Changes in Fiduciary Net Assets
for the Year Ended June 30, 2012

	Advance Deposit <u>Fund</u>	Registry of Court <u>Fund</u>	<u>Total</u>
ADDITIONS:			
Suits and Successions	\$167,827	\$2,425,381	\$2,593,208
Interest Income	<u>3,517</u>	<u>706</u>	<u>4,223</u>
Total Additions	<u>\$171,344</u>	<u>\$2,426,087</u>	<u>\$2,597,431</u>
DEDUCTIONS:			
Clerk's Costs (paid to general fund)	\$ 95,904	\$ 0	\$ 95,904
Settlements to Litigants	27,576	315,273	342,849
Sheriff's Fees	17,545	0	17,545
Other Deductions	<u>14,164</u>	<u>0</u>	<u>14,164</u>
Total Deductions	<u>\$155,189</u>	<u>\$ 315,273</u>	<u>\$ 470,462</u>
Change in Liabilities	\$ 16,155	\$2,110,814	\$2,126,969
Liabilities-Beginning	<u>596,822</u>	<u>553,925</u>	<u>1,150,747</u>
Liabilities-Ending	<u>\$612,977</u>	<u>\$2,664,739</u>	<u>\$3,277,716</u>

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

Introduction:

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, the Red River Parish Clerk of Court serves as the ex-officio notary public, the recorder of conveyances, mortgages, and other acts, and has other duties and powers provided by law. The Clerk of Court is elected for a four-year term.

1. Summary of Significant Accounting Policies:

A. BASIS OF PRESENTATION-

The accompanying financial statements of the Red River Parish Clerk of Court have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, issued in June 1999.

B. REPORTING ENTITY-

As the governing authority of the parish, for reporting purposes, the Red River Parish Police Jury is the financial reporting entity for Red River Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) other organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Red River Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
2. Organizations for which the Red River Parish Police Jury does not appoint a voting majority but are fiscally dependent on the Red River Parish Police Jury.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the Red River Parish Police Jury provides office facilities for the Clerk of Court, the Clerk of Court was determined to be fiscally dependent on the Police Jury and accordingly is considered to be a component unit of the Red River Parish Police Jury, the financial reporting entity. The accompanying basic financial statements present information only on the funds maintained by the Clerk of Court and do not present information on the Red River Parish Police Jury, the general government services provided by that governmental unit or the other governmental units that comprise the financial reporting entity.

C. FUND ACCOUNTING-

The Red River Parish Clerk of Court uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain Clerk of Court functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. Funds of the Clerk of Court are classified into two categories: governmental and fiduciary. An emphasis is placed on major funds, and the General Fund is considered to be a major fund.

Governmental Fund

General Fund - The General Fund (Salary Fund), as provided by Louisiana Revised Statute 13:781, is the principal fund of the Red River Parish Clerk of Court and accounts for the operations of the Clerk's office. The various fees and charges due to the clerk's office are accounted for in this fund.

Fiduciary Funds

Agency Funds - The agency funds, the Advance Deposit Fund and Registry of Court Fund, account for assets held by the clerk as an agent for litigants held pending court action. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency funds have no measurement focus, but use the modified accrual basis of accounting.

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING-

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the Red River Parish Clerk of Court, except for the fiduciary funds which are reported separately.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

The government-wide financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions.

Fund Financial Statements

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The governmental fund and the agency funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Red River Parish Clerk of Court considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues-

Fees for certified copies, recording legal documents, marriage licenses, and commissions for services are recorded in the year they are earned. Interest income on time deposits are recorded when the time deposits have matured and the income is available. Interest receivables are accrued in the Advance Deposit Fund; all other revenues are recorded when received.

Expenditures-

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

E. BUDGETARY ACCOUNTING-

Formal budgetary accounting is employed as a management control. The Red River Parish Clerk of Court prepares and adopts a budget each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using the modified accrual basis of accounting. The Clerk of Court amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. The budget was amended during this year. All budget appropriations lapse at year end.

F. CASH AND CASH EQUIVALENTS-

Cash - includes not only currency on hand but also demand deposits with banks or other financial institutions and other kinds of accounts that have the general characteristics of demand deposits in that the Clerk may deposit additional funds at any time and also effectively may withdraw funds at any time without prior notice or penalty.

Cash equivalents - includes all short term, highly liquid investments that are readily convertible to known amounts of cash and are so near their maturity that they present insignificant risk of changes in value because of interest rates.

G. INVESTMENTS-

Investments are limited by R. S. 33:2955 and the Red River Parish Clerk of Court's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

H. RECEIVABLES-

All receivables are reported at their gross value. The Clerk expects to collect all balances due, and no allowance for bad debts is recorded.

I. CAPITAL ASSETS-

Capital assets are carried at historical costs. Depreciation of all exhaustible capital assets used by the Red River Parish Clerk of Court is charged as an expense against operations in the Statement of Activities. Capital assets net of accumulated depreciation are reported on the Statement of Net Assets. Depreciation is computed using the straight line method over the estimated useful life of the assets, generally 5 to 15 years for moveable property. Expenditures for maintenance, repairs and minor renewals are charged to earnings as incurred. Major expenditures for renewals and betterments are capitalized. The Clerk maintains a threshold level of \$500 or more for capitalizing assets.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

J. COMPENSATED ABSENCES-

Full-time employees of the Red River Parish Clerk of Court earn ten days of sick leave annually. Vacation is earned as follows: Years 1-5 – 2 weeks, Years 6-11 – 3 weeks, Greater than 10 years – 4 weeks. Unused vacation and sick leave expires at December 31 and the Clerk has no accumulated or vested benefits to accrue.

K. ESTIMATES-

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

L. EQUITY CLASSIFICATIONS-

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When an expense is incurred for the purposes for which both restricted and unrestricted net assets are available, the Clerk applies unrestricted net assets first, unless a determination is made to use restricted net assets. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by the Clerk at the incurrence of the expense.

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- a. Nonspendable fund balance – amounts that are not in a spendable form (such as prepaid expenses) or are required to be maintained intact;

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

- b. Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- c. Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- d. Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- e. Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The General Fund, the Clerk's only governmental fund, has a nonspendable fund balance of \$6,199 which represents prepaid expenses. The remaining fund balance of \$1,672,252 is classified as unassigned. If applicable, the Clerk would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

2. Cash, Cash Equivalents and Credit Risk:

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. The Clerk of Court may invest in time certificates of deposit of state banks organized under the laws of Louisiana, national banks having their principal office in the state of Louisiana, in savings accounts or shares of savings and loan associations and savings banks and in share accounts and share certificate accounts of federally or state chartered credit unions.

At June 30, 2012, the Clerk of Court had cash and cash equivalents (book balances) totaling \$4,919,371 as follows:

Demand Deposits	\$ 404,526
Interest-bearing Demand Deposits	3,133,112
Time Deposits	1,381,683
Petty Cash	<u>50</u>
Total	<u>\$4,919,371</u>

Red River Parish Clerk of Court
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June 30, 2012

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At June 30, 2012, the Clerk of Court has \$4,970,147 in collected bank balances. These deposits are secured from credit risk as follows:

Collected Bank Balances	\$ 4,970,147
FDIC Insurance	(1,955,352)
NCUA Insurance	(250,000)
Category 3 Pledged Securities	<u>(380,541)</u>
Balance Subject to Credit Risk	<u>\$ 2,384,254</u>

Even though the pledged securities are considered uncollateralized (Category 3), under the provisions of GASB, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Clerk of Court that the fiscal agent has failed to pay deposited funds upon demand.

3. Revenue Receivable:

The following is a summary of receivables at June 30, 2012:

<u>Class of Receivable</u>	<u>Total</u>
Charges for services	<u>\$41,865</u>

4. Capital Assets:

Capital asset balances and activity for the year ended June 30, 2012, is as follows:

	<u>Balance 06-30-11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06-30-12</u>
Governmental Activities-				
Vehicles	\$ 0	\$ 0	\$0	\$ 0
Furniture, fixtures, and equipment	170,587	17,086	0	187,673
Less, accumulated depreciation	<u>(97,105)</u>	<u>(18,301)</u>	<u>0</u>	<u>(115,406)</u>
Total Capital Assets, net	<u>\$ 73,482</u>	<u>\$ (1,215)</u>	<u>\$0</u>	<u>\$ 72,267</u>

Depreciation expense of \$18,301 was charged to the judicial function.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

5. Accounts Payable and Accruals:

The following is a summary of accounts payable at June 30, 2012:

<u>Class of Payable</u>	<u>Total</u>
Vendor	\$ 5,112
Accrued Expenses	<u>6,156</u>
Total Accounts Payable	<u>\$11,268</u>

6. Pension Plan:

Plan Description. Substantially all employees of the Red River Parish Clerk of Court are members of the Louisiana Clerks of Court Retirement and Relief Fund (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees.

All regular employees who are under the age of 60 at the time of original employment are required to participate in the System. Employees who retire at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service, not to exceed 100 percent of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established and amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B, Baton Rouge, Louisiana 70816, or by calling (225) 293-1162.

Funding Policy. Plan members are required by state statute to contribute 8.25 percent of their annual covered salary and the Red River Parish Clerk of Court is required to contribute at an actuarially determined rate. The current rate is 17.25 percent of annual covered payroll. Of the 8.25 percent of the member contributions, the Red River Parish Clerk of Court pays all. Contributions to the System also include one-fourth of one percent of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of a plan member and the Red River Parish Clerk of Court are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the result of the valuation for the prior fiscal year. The Red River Parish Clerk of Court's contribution to the System for the years ending June 30, 2012, 2011, and 2010, were \$76,450, \$71,782 and \$64,718, respectively, equal to the required contribution for each year.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

7. Risk Management:

The Red River Parish Clerk of Court is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Clerk of Court maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Clerk of Court.

8. Other Post-Employment Benefits:

On July 1, 2009, the Red River Parish Clerk of Court implemented Governmental Accounting Standards Board Statement No. 45 entitled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (GASB 45). The major change under GASB 45 is to attribute the cost of postretirement benefits (medical, dental and life insurance) to the time which the employee is working for the employer. This standard does not require the funding of these benefits, but it does require recognizing the liability and expense in the financial statements. The Clerk recognized a noncurrent liability of \$108,920 for 2012 in the Statement of Net Assets. A \$37,028 expense is included in personal services and related benefits expense in the Statement of Activities.

Plan Description. The Red River Parish Clerk of Court provides certain continuing health and dental care and life insurance benefits for its retired employees. Eligibility for medical coverage is based on the following:

- 55 years old and 12 years of service, or
- 30 years of service at any age

Funding Policy. These benefits for the retirees are provided through an insurance company on a pay-as-you-go basis. The Clerk contributes 100% of the cost of current-year premiums. The Clerk recognizes the cost of providing these benefits (Clerk's cost of premiums) as an expenditure when the monthly premiums are paid. For the year ended June 30, 2012, the Clerk paid no premiums for retirees.

Annual OPEB Cost and Net OPEB Obligation. The Clerk's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The Clerk has elected to calculate the ARC and related information using the Unit Credit Actuarial Cost Method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (of funding excess) over a period not to exceed thirty years.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

The following table shows the components of the Clerk's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Clerk's net OPEB obligation to the Retiree Health Plan for year ended June 30, 2012:

<u>DISCOUNT RATE</u>	<u>2.00%</u>
Determination of Annual Required Contribution-	
Normal Cost at Fiscal Year End	\$ 27,301
Amortization of UAAL	<u>8,289</u>
Annual Required Contribution (ARC)	\$ <u>35,590</u>
Determination of Net OPEB Obligation-	
Annual Required Contribution	\$ 35,590
Interest on Prior Year Net OPEB Obligation	1,438
Adjustment to ARC	<u>0</u>
Annual OPEB Cost	\$ 37,028
Assumed Contributions Made	<u>0</u>
Estimated Increase in Net OPEB Obligation	\$ 37,028
Net OPEB Obligation - Beginning of Year	<u>71,892</u>
Estimated Net OPEB Obligation - End of Year	<u>\$108,920</u>

The Clerk's estimated annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net obligation for year ended 2012 and the two preceding fiscal years assuming the plan is not prefunded (2% discount rate):

<u>Fiscal Year Ended</u>	<u>Discount Rate</u>	<u>Annual OPEB Cost</u>	<u>% of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
06/30/2010	2.00%	\$35,591	0%	\$ 35,591
06/30/2011	2.00%	\$36,301	0%	\$ 71,892
06/30/2012	2.00%	\$37,028	0%	\$108,920

Funded Status and Funding Progress. The Clerk's actuarial accrued liability for benefits was \$322,670, all of which was unfunded for the year ended 2012. The covered payroll (annual payroll of active employees covered by the plan) was \$299,803, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 108 percent.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about rates of interest, future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Red River Parish Clerk of Court
Notes to Financial Statements
June 30, 2012

Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The unit credit actuarial cost method was used with the estimates based to an important degree on the assumptions made relative to various occurrences, such as rate of expected investment earnings by the fund, rates of mortality among active and retired employees, rates of termination from employment, and retirement rates. In the current valuation, the actuarial assumptions used for the calculation of costs and liabilities are:

MEASUREMENT DATE

Benefit liabilities are valued as of July 1, 2009

DISCOUNT RATE FOR VALUING LIABILITIES

Without prefunding - 2.0% per annum, compounded annually

MORTALITY RATES

Male - RP 2000 system table with floating Scale AA projections for Males

Female - RP 2000 system table with floating Scale AA projections for Females

9. Expenditures of the Clerk of Court Paid by the Parish Police Jury:

Certain expenses of the Red River Parish Clerk of Court's office are paid by the Red River Parish Police Jury. In addition to furnishing the building where the Clerk's office is located, the Police Jury pays all utility bills, some insurance, and furnishes some of the equipment in the Clerk's office.

10. Deferred Compensation Plan:

All of the employees of the Red River Parish Clerk of Court are eligible to participate in the State of Louisiana deferred compensation plan. Employees may contribute 100% of their salary (not to exceed \$17,000 a year) to the plan on a pre-tax basis. The contributions are withheld from the employees' paycheck. The contributions are fully vested immediately and are remitted to a third-party administrator each pay period, where they are deposited to an account in the employee's name. The Red River Parish Clerk of Court does not assume any liability for the funds and does not have any control over the funds once they are remitted to the third-party administrator. During the year ended June 30, 2012, the Clerk's matching funds totaled \$21,875.

11. Subsequent Events:

Management has evaluated events through December 11, 2012, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Red River Parish Clerk of Court
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2012

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Licenses & Permits-				
Marriage Licenses	\$ 2,000	\$ 2,500	\$ 2,393	\$ (107)
Charges for Services-				
Court Costs, Fees & Charges	210,000	210,000	206,319	(3,681)
Recording Fees	290,000	145,500	145,548	48
Copy Fees	890,000	215,000	213,770	(1,230)
Intergovernmental-				
Supplemental Compensation Fund	19,900	21,000	20,700	(300)
Miscellaneous-				
Other	8,100	7,000	10,740	3,740
Interest	30,000	19,500	19,347	(153)
Gain on Investments	<u>0</u>	<u>0</u>	<u>736</u>	<u>736</u>
Total Revenues	<u>\$1,450,000</u>	<u>\$ 620,500</u>	<u>\$ 619,553</u>	<u>\$ (947)</u>
EXPENDITURES:				
Current-				
Judicial-				
Personnel Services	\$ 420,000	\$ 517,000	\$ 518,308	\$(1,308)
Operating Services	150,000	130,000	126,151	3,849
Operating Supplies	60,000	55,000	62,983	(7,983)
Other Charges	60,000	14,000	11,505	2,495
Capital Expenditures	<u>10,000</u>	<u>24,000</u>	<u>17,086</u>	<u>6,914</u>
Total Expenditures	<u>\$ 700,000</u>	<u>\$ 740,000</u>	<u>\$ 736,033</u>	<u>\$ 3,967</u>
Excess (Deficiency) of Revenues over Expenditures	\$ 750,000	\$ (119,500)	\$ (116,480)	\$ 3,020
Fund Balance-Beginning of Year	<u>1,794,931</u>	<u>1,794,931</u>	<u>1,794,931</u>	<u>0</u>
Fund Balance-End of Year	<u>\$2,544,931</u>	<u>\$1,675,431</u>	<u>\$1,678,451</u>	<u>\$ 3,020</u>

See accountant's report.

OTHER REPORTS

Johnson, Thomas & Cunningham

Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation
Roger M. Cunningham, CPA – A Professional Corporation
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Stuart Shaw
Red River Parish Clerk of Court
P. O. Box 485
Coushatta, Louisiana 71019

We have audited the financial statements of the governmental activities, major fund and fiduciary funds of the Red River Parish Clerk of Court, as of and for the year ended June 30, 2012, which collectively comprise the Red River Parish Clerk of Court's basic financial statements and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*.

Internal Control Over Financial Reporting

The Red River Parish Clerk of Court is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Red River Parish Clerk of Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Red River Parish Clerk of Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Red River Parish Clerk of Court's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Red River Parish Clerk of Court's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Red River Parish Clerk of Court's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Louisiana Legislative Auditor, and management of the Red River Parish Clerk of Court and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Johnson, Thomas & Cunningham, CPA's
Johnson, Thomas & Cunningham, CPA's

December 11, 2012
Natchitoches, Louisiana

Red River Parish Clerk of Court
Schedule of Audit Findings
Year Ended June 30, 2012

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unqualified opinion was issued on the general purpose financial statements of the Red River Parish Clerk of Court as of and for the year ended June 30, 2012.
2. The audit did not disclose any instances of significant deficiencies in internal control that are required to be reported under *Government Auditing Standards*.
3. The audit did disclose one instance of noncompliance that is required to be reported under *Government Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The following finding relates to the financial statements and is required to be reported in accordance with *Government Auditing Standards*:

Compliance-

12-01 Cash Balance Unsecured

Criteria - Louisiana state law requires that all funds held by banks for an entity must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the FDIC insurance must at all times equal or exceed the amount on deposit with the bank.

Condition - The cash balance in the bank was not fully secured by FDIC or pledged securities.

Effect - If the bank were to fail, then the Clerk's funds in excess of FDIC insurance and pledged securities could be lost.

Cause - The Clerk and the bank did not monitor the bank balances to ensure the balances were not in excess of FDIC Insurance and pledged securities.

Recommendation - The Clerk should ensure at all times that their financial institution has their funds fully secured by FDIC insurance and pledged securities.

Response - The Clerk will ensure at all times that our financial institution has fully secured the necessary funds by the FDIC insurance and pledged securities.

Red River Parish Clerk of Court
Schedule of Audit Findings
Year Ended June 30, 2012

III. PRIOR YEAR AUDIT FINDINGS

11-01 Cash Balance Unsecured

Condition - The cash balance in the bank was not fully secured by FDIC or pledged securities.

Status - This condition still exists at June 30, 2012. See finding 12-01.